NOVELLUS SYSTEMS REPORTS FOURTH QUARTER AND YEAR-END RESULTS

SAN JOSE, Calif., January 24, 2007-Novellus Systems, Inc. (NASDAQ: NVLS) today reported net sales and results of operations for its fourth quarter and year ended December 31, 2006. Net sales for the fourth quarter were $438.5 million, down $5.5 million or 1.2 percent from third quarter 2006 net sales of $444.0 million, and up $106.2 million or 32.0 percent from fourth quarter 2005 net sales of $332.3 million. Net income for the fourth quarter was $42.6 million, or $0.34 per diluted share, down $27.4 million or 39.2 percent from third quarter 2006 net income of $70.0 million, and up $19.6 million or 85.2 percent from fourth quarter 2005 net income of $23.0 million.

The fourth quarter results reflect a $1.9 million pre-tax reversal of a previously recorded restructuring accrual resulting primarily from a change in estimated sublease income over the remaining lease term. Also recorded in the fourth quarter was a tax charge of $46.1 million related to the planned implementation of a new global business structure. In future years we expect to achieve a lower tax rate, as well as business efficiencies, as a result of this new business structure. The tax charge was partially offset by an $8.5 million tax benefit attributable to the settlement of an IRS audit. As a result, the fourth quarter tax rate was 62.3%. The fourth quarter 2006 net income would have been $79.0 million, or $0.63 per diluted share, excluding these items. The third quarter 2006 results did not include any unusual charges or benefits. The fourth quarter 2005 results reflect net pre-tax restructuring and other charges of $5.9 million. Without the restructuring charges, fourth quarter 2005 net income would have been $26.6 million, or $0.20 per diluted share. A reconciliation of pro forma operating results to U.S. generally accepted accounting principals ("GAAP") results is included in the financial statements below.

Net sales for the fiscal year 2006 were $1.66 billion, up $318.0 million or 23.7% compared with net sales of $1.34 billion in fiscal year 2005. Net income for the year was $190.0 million or $1.50 per diluted share, compared with fiscal year 2005 net income of $110.1 million, or $0.80 per diluted share.

The fiscal year 2006 results include a pre-tax benefit of $1.5 million from the cumulative effect of a change in accounting principle due to the adoption of SFAS 123®, a pre-tax net restructuring charge of $10.7 million, a pre-tax charge of $3.3 million for a legal settlement and the $46.1 million tax charge and $8.5 million tax benefit discussed above. Without these charges and benefits, net income for 2006 would have been $235.3 million, or $1.86 per diluted share. In comparison, the fiscal year 2005 results included pre-tax net restructuring charges of $9.2 million and a pre-tax inventory write-down of $5.3 million. Without these charges net income, for 2005 would have been $118.9 million, or $0.86 per diluted share.

Bookings in the fourth quarter were $441.6 million, down 6.1 percent over third quarter 2006 bookings of $470.3 million. Shipments of $390.2 million in the fourth quarter represent a decrease of $24.1 million or 5.8 percent from $414.2 million reported for the third quarter 2006. Deferred revenue at the end of the fourth quarter was $100.3 million, a decrease of $48.3 million or 32.5 percent from $148.6 million at the end of the third quarter of 2006.

Cash, cash equivalents, restricted cash and short-term investments as of December 31, 2006 were $993.2 million, an increase of $179.9 million or 22.1 percent from the third quarter of 2006 ending balance of $813.3 million.

The financial measures set forth above that present net income excluding certain charges and benefits, revenue on a shipments basis and bookings, are not in accordance with GAAP. The Company believes that these non-GAAP financial measures provide further insight into the results of operations and enhance the consistency and comparability of those results to results in prior periods because they assist shareholder understanding of the effects of certain charges and benefits on the quarter's results.

"2006 was a record year for bookings, shipments and revenues", said Richard S. Hill, chairman of the board and CEO. "In addition to our strong top line growth, we significantly improved our bottom line performance as a result of the initiatives we have taken to strengthen our product portfolio and improve our financial operating model."

"Safe Harbor" Statement Under the Private Securities Litigation Reform Act of 1995:

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements regarding (i) our continued progress to improve our bottom line performance resulting from the initiatives we have taken to strengthen our product portfolio and improve our financial operating model, (ii) our expectation that we will achieve a lower tax rate in future years and (iii) our belief that we will improve business efficiencies as a result of the Company's new global business structure, as well as other matters discussed in this news release that are not purely historical data, are forward-looking statements. Forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from those contemplated by such statements. These risks and uncertainties include, but are not limited to, the Company's ability to accurately assess and strengthen the Company's product portfolio and financial operating model due to market fluctuations and unanticipated economic and industry downturns; the Company's ability to achieve greater tax efficiency and thereby lower the

Company's tax rate in future years; the Company's ability to efficiently implement the new global business structure, and other risks indicated in our filings with the Securities and Exchange Commission (SEC), including our Annual Report on Form 10-K for the year ended December 31, 2005, our Quarterly Reports on Form 10-Q for the quarters ended September 30, 2006, July 1, 2006 and April 1, 2006, and our Current Reports on Form 8-K and amendments to such reports. Forward-looking statements are made and based on information available to us on the date of this press release. We do not assume, and expressly disclaim, any obligation to update this information.

About Novellus:

Novellus Systems, Inc. (NASDAQ: NVLS) is a leading provider of advanced process equipment for the global semiconductor industry. The company's products deliver value to customers by providing innovative technology backed by trusted productivity. An S&P 500 company, Novellus is headquartered in San Jose, CA with subsidiary offices across the globe. For more information please visit www.novellus.com

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